

# ABAG Report to MCCMC<sup>1</sup>

June 2024

**EXECUTIVE SUMMARY:** This report includes a synopsis of the ABAG General Assembly meeting held on Friday, June 21, 2024; an update on the Regional Housing Bond Measure and Expenditure Plan; upcoming efforts on Plan Bay Area 2050+ Draft Blueprint, update on a new interagency flooding and sea level rise MOU between the Bay Area Regional Collaborative members; and, proposed state legislation that were supported by ABAG.

**ABAG GENERAL ASSEMBLY:** On June 21, 2024, ABAG delegates throughout the Bay Area met at the Oakland Museum for the annual business meeting where the delegates voted to support the budget and workplan for 2024-2025 of \$4.1M. The delegates adopted the FY 2024-2025 budget after a discussion on the ongoing issue of unfunded accrued pension liability which for FY 2025-26 is anticipated to be \$2.2M along with increasing costs for maintenance of the Bay Area Metro Center and cost allocation of a new Enterprise Resource Planning software. The workplan includes continuing work on Local Government Services, Plan Bay Area 2050+, Regional Housing Technical Assistance, Priority Conservation Areas (PCA's), ABAG Bay Area Regional Energy Network, San Francisco Estuary Partnership and the San Francisco Bay Trail, etc..

The keynote speaker was **Shalini Vajjhala** who is Executive Director of PRE Collective. She spoke on *Resilience: Innovative Governance for Regional Challenges* and highlighted how creative predevelopment and governance models can help build resilience.

In addition, the delegates heard from **Larry Goldzband**, Executive Director of the San Francisco Bay Conservation and Development Commission (BCDC) who provided an overview of how BCDC is implementing SF 272 which requires all local governments within the Commission's jurisdiction to develop sea level adaptation plans which must be approved by BCDC based on the guidelines that will be issued later in 2024.

Lastly, there was a panel discussion moderated by **Allison Brooks** who is Executive Director of the Bay Area Regional Collaborative (BARC) on how specific governance efforts and bodies tackled environmental challenges in the Bay Area. Specifically, **Anne Crealock** from the Marin Wildlife Prevention Authority spoke about how she helped create and lead a collaborative effort to improve fire resilience to advance forest health, watershed health, public safety and to protect water resources. **Lisa Gauthier**, Councilmember in East Palo Alto and Vice President with the Silicon Valley Leadership Group spoke about how creative predevelopment and governance models can help build regional resilience. **Caitlin Sweeney**, Director of the SF Estuary Partnership spoke about the accomplishments and challenges with SF Bay and the Delta. Specifically, **she highlighted the next annual grant round which will be released in July with a request for applications due in October 2024;** the ongoing work on Measure AA which generates \$500M over 20 years through a \$12/year parcel tax; and specific projects funded that worked to 1) combine habitat restoration, flood protection and public access; 2) create living shorelines and restoring floodplains; and, 3) engaging economically disadvantaged communities.

**UPDATE ON THE REGIONAL HOUSING BOND MEASURE AND EXPENDITURE PLAN:** As reported in the ABAG report to MCCMC in May, the ABAG Executive Board supported placing a General Obligation Bond on the November ballot for Housing. This decision was made without the polling results which were completed in June, 2024.

On Wednesday, June 26, 2024, the Bay Area Housing Finance Authority (BAHFA) will make the final decision on whether to place a bond measure on the November ballot throughout the entire SF Bay Area. The 20 year bond measure is proposed for \$19.00 (beginning) per \$100,000 assessed value increasing to no more than

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<sup>1</sup> Marin County Council of Mayors and Councilmembers (MCCMC). For questions, please contact Councilmember Pat Eklund at: 415-336-9913.

\$34.20 per \$100,000 assessed value in FY 2043-2044. A poll of 2,100 likely voters in the 9 county Bay Area region was conducted in May and June by EMC Research. They tested the voter sentiment for a **\$20 billion** General Obligation Bond for affordable housing. The results show initial support starts at 54% and reaches 55% after more information. It appears that the overall mood continues to be pessimistic and tax hesitant among Bay Area voters. However, ACA 1 which will be on the ballot in November is proposing to drop the threshold for bond measure to 55% of its voters. If the voters approve ACA 1 and this bond measure receives 55% vote throughout the Bay Area, it will pass.

**PLAN BAY AREA 2050+ DRAFT BLUEPRINT:** In July 2023, MTC/ABAG will kick off Plan Bay Area 2050+, a limited and focused update to the regional vision for transportation, housing, economic development, and environmental resilience. The Draft Blueprint can be thought of as a “first draft” of the long-range plan; several key updates informed its development over the past year. This included updates to baseline data, such as transit service levels; planning assumptions, such as levels of hybrid work; public policies and investments (i.e., strategies) that can be implemented over a 25-year period; and growth geographies where future housing and jobs can be focused, among others.

Importantly, the Draft Blueprint identified an initial set of investment priorities across the four elements of the plan. For the Transportation Element, the Draft Blueprint directs nearly **\$400 billion** in investments to maintain and optimize the existing transportation system, as well as to create safe and healthy streets. The Housing Element features over **\$550 billion** invested in protecting, preserving and producing affordable housing. The Economy Element directs over **\$200 billion** to improve economic mobility by reducing poverty and supporting pathways to the middle class and to shift the location of jobs. Finally, the Environment Element includes over **\$200 billion** to a suite of strategies that reduce risks from hazards such as sea level rise, expand access to parks and open space, and reduce climate emissions. These investment priorities, as well as the revenue forecasts that support them, will be further refined as part of the Final Blueprint phase in late summer and early fall.

Plan Bay Area 2050+ must accommodate over 1.3 million new jobs as well as nearly 1 million new households by the year 2050. In keeping with the plan’s goals to accommodate growth in a sustainable manner that also provides access to opportunity, the Draft Blueprint succeeds in directing the vast majority of projected growth within the plan’s Growth Geographies, with 70 percent of new jobs and nearly 90 percent of new households between 2023 and 2050 locating in Growth Geographies. Similar to Plan Bay Area 2050, the vast majority of the region’s growth is anticipated to be focused in the South Bay, the East Bay, San Francisco, and the Peninsula, with the North Bay seeing more modest growth in both households and jobs.

While the Draft Blueprint demonstrates significant successes across a number of policy areas for the region, there are several areas that will require additional focus as part of the plan’s Final Blueprint phase. These include:

- 1) Refining housing strategies to integrate development cost reduction approaches to make the most of public investment in affordable housing;
- 2) Identifying cost-effective transportation investments that align with the plan update’s more limited transportation expansion revenues, while further optimizing pricing strategies;
- 3) Further reducing automobile mode share, while integrating updated cost assumptions related to sea level rise projects and accessibility upgrades into the plan’s environment strategies; and
- 4) Meeting the plan’s statutorily-required GHG emissions reduction goal through targeted investments and equitable strategies.

Following this month’s formal release of the Plan Bay Area 2050+ Draft Blueprint’s equity and performance outcomes, it is anticipated that the release of the Project Performance Assessment and Draft Transit 2050+ Network will occur in July. Round 2 engagement activities to further inform the development of the Final Blueprint will commence starting in late summer 2024.

**INTERAGENCY FLOODING AND SEA LEVEL RISE MEMORANDUM OF UNDERSTANDING:** In June 2024, the ABAG Executive Board authorized the Executive Director to sign a Memorandum of Understanding (MOU) with the other voting member agencies (MTC and BCDC) and the three non-voting partner agencies (CA State Coastal Conservancy, CA Department of Transportation, District 4, and CA Regional Water Quality Control Board) of the Bay Area Regional Collaborative (BARC) to coordinate efforts to address the threats of flooding and sea level rise in the San Francisco Bay Area.

The purpose of the MOU is to further align efforts, expertise, and core functions across the agencies to support the delivery of priority, multi-benefit, flood risk management projects across the Bay Area. The objectives are to accelerate project implementation, increase Bay Area’s competitiveness for funding, establish interagency structures for coordination and project prioritization, support multi-jurisdictional partnerships, and help cities and counties expand their capacity to fund and implement adaptation projects.

The goal is to have each agency complete their review and approval of the MOU by July 18, 2024, with a final review and approval by the BARC Governing Board on July 19, 2024. The agencies are developing a joint work plan to operationalize the MOU, which will launch in July 2024.

**LEGISLATION:**

**Assembly Bill 598 (Wicks): Bay Area Housing Finance Authority (BAHFA) Funding:** Assembly Bill (AB) 598 (Wicks) makes changes to BAHFA’s enabling statute at the request of MTC/ABAG staff following discussions with the Bay Area Council (“Council”) and Building Industry Association of the Bay Area (“BIA”) in May.

BAHFA’s Expenditure Plan is a statutorily required document that defines, over a five-year period, the spending programs, projects and policies applicable to BAHFA’s 20 percent share of a regional housing bond. The ABAG Executive Board (as the Executive Board to BAHFA) approved the 2025-30 Expenditure Plan for the \$20 billion bond anticipated for the November 2024 ballot. The BAHFA Board is scheduled to approve the same plan on June 26, 2024. The 2025-30 Expenditure Plan outlines the requirements by which BAHFA must prioritize and spend bond funds issued in the first two funding tranches. For production funds (52% of the total), these include:

1. Set “return-to-source” investment targets in each county, based on assessed property values.
2. Prioritize permanent supportive housing developments and developments that serve extremely low-income households.
3. Work collaboratively with jurisdictions to secure oversubscribed resources.

For preservation funds (at least 15% of the total), the requirements include:

1. Prioritize investments in historically disinvested areas.
2. Forestall eviction risk or affordability loss.
3. Support community-controlled housing through a 20% set-aside target.

Meeting these requirements will require a project-level analysis. For example, does the project provide homes for people with extremely low incomes or experiencing homelessness? Is it financially feasible over the long term? Does it leverage BAHFA funding with sources other than existing over-subscribed sources? The Expenditure Plan does not anticipate conditioning projects’ eligibility on jurisdiction-wide policies adopted by localities nor does it anticipate conditioning projects’ eligibility on jurisdiction-wide policies adopted by localities.

Given the regional Expenditure Plan’s focus on evaluating projects based on project-level criteria rather than a locality’s policies, staff believes the language in AB 598 makes explicit what was already implied in BAHFA’s enabling legislation and would not alter BAHFA’s plans or goals. Staff worked to clarify and explain BAHFA’s statutory requirements and the additional goals and obligations created by new BAHFA documents, such as

the Expenditure Plan, for Bay Area stakeholders over the last two years. While BAHFA’s funding programs are not structured in a manner that would exacerbate these concerns, AB 598 provides further reassurance as to BAHFA’s future actions and goals. For these reasons, staff recommended and ABAG Executive Board adopted a support position on AB 598 (Wicks).

**Constitutional Amendment to Lower Vote Threshold to Fifty-Five Percent for Infrastructure Bonds:** Last year, the state Legislature approved ACA 1, placing it on the November 2024 ballot. This constitutional amendment would allow voters to pass local/regional bonds and special taxes for housing and public infrastructure by a 55 percent vote instead of the current two-thirds threshold. “Public infrastructure” includes transportation improvements, hospitals, water and sewer facilities, parks, flood control and public safety facilities, among others.

MTC and ABAG strongly supported ACA 1 and dedicated significant staff time to securing its passage. Recent voter surveys have indicated a lack of support for the special taxes portion of the constitutional amendment. This constitutional amendment would replace ACA 1 with a very similar measure minus the special taxes provision. The Legislature must pass it by June 27, 2024 to meet the Secretary of State’s qualifying deadline for the November ballot. Based on multiple polls conducted by EMC Research, a 55 percent vote threshold is critical to securing passage of the Bay Area Housing Finance Authority’s pending ballot measure for a \$20B regional housing bond. This constitutional amendment is carefully crafted to increase the likelihood voters will approve the 55 percent threshold; therefore, based on staff recommendation and due to the urgency of this legislation, the ABAG Legislative Committee voted to support these changes.

**Assembly Bill 2813 (Aguiar-Curry): Government Investment Act:** Last year, the state Legislature placed Assembly Constitutional Amendment (ACA) 1 (AguiarCurry) on the November 2024 statewide ballot. If approved by voters, the measure would allow local/regional bonds and special taxes for housing and public infrastructure to pass with a 55 percent vote instead of the current two-thirds. The Legislature moved ACA 1 through the legislative process with unusual speed, so the author committed to coming back in 2024 with an implementation bill to flesh out ACA 1’s accountability provisions along with other clarifications. MTC and ABAG also identified several important technical refinements needed to ensure compatibility with the Bay Area Housing Finance Authority’s (BAHFA) planned 2024 housing bond. Assembly Bill (AB) 2813 is the vehicle for those implementation amendments. Among other provisions, the bill:

- 1) Establishes various requirements applicable to citizen oversight committees, which are required by ACA 1.
- 2) Requires all funded projects to have a useful life of at least 15 years, excepting public safety related buildings and equipment, which must have a five-year useful life.
- 3) Requires the State Auditor to review an unspecified percentage of the performance and financial audits that must be conducted under ACA 1.
- 4) Defines various terms used in ACA 1, as requested by MTC and ABAG.

If approved by voters, ACA 1 (or a replacement ACA) and AB 2813 will comprise the legal parameters for local 55 percent vote threshold measures for housing and public infrastructure. The constitutional amendment sets the broad framework and AB 2813 fills in details that more appropriately belong in statute, where they can be modified from time to time by the Legislature to reflect evolving practice and policy. This is a common approach in CA. Based on staff recommendation, the ABAG Legislative Committee supported AB 2813 and to seek friendly amendments to: 1) Modify the “useful life” provision to align with federal regulations governing municipal bonds. Specifically, in place of the 15-year standard in the bill, we would seek to apply the federal requirement that the average maturity of the bonds does not exceed 120% of the average useful life of funded projects, and 2) Clarify that restrictions on use of bond proceeds applies only to the proceeds, not to future programs BAHFA may fund with loan repayments.